



Monthly Economic Update

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This report is an update to the Quarterly Economic Indicators Report, both of which are available on the internet @ <http://www.montgomerycountymd.gov/departments/finance>. For questions, please call (240) 777-8866.

➤ **Economic Conditions.** According to the revised estimate, real GDP rose 1.9 percent during the first quarter of 2003. The upward revision was attributed to higher personal consumption expenditures which offset lower equipment and software investment. Corporate profits increased 1 percent during the quarter and reached their highest level since the fourth quarter of 2001. Other indicators showed improvement in April with consumer confidence increasing two consecutive months to its highest level since last fall, mortgage interest rates continued to decline, "core" inflation grew 1.5 percent during the past year, and the stock market has rebounded.

However, business investment and employment continue to remain a drag on the recovery. New orders for nondefense capital goods excluding aircraft declined in April and the value of private non-residential construction dropped 2.7 percent. The index for help wanted advertising declined in April to its lowest level in over forty years.

➤ **Construction.** Non-residential construction in the County followed the national pattern with permits decreasing 36 percent in April for the fifth consecutive month. The dramatic decline in non-residential permits is attributed to the growing vacancy rate in the County in commercial property. Residential permits fared no better decreasing 9 percent in April compared to April 2002 and 4 percent during the first four months of this year compared to last year.

According to *The Washington Post*, vacancy rates for commercial property continued to increase during the first quarter in the metropolitan region with Montgomery County reaching a recent high of 12.5 percent. While the County's rate is slightly below the regional average (12.8%), the Bethesda/Chevy Chase area, at 16.2 percent, has one of the highest vacancy rates in the region. With the steady increase in the County's vacancy rates over the past two years, a rebound in non-residential construction appears unlikely in the foreseeable future.

The decline in non-residential permits and the increase in vacancy rates are reflected in the declining number of construction starts. The value of non-residential starts decreased in April while the total value of new projects declined almost 50 percent for the year to date compared to the first four months of 2002. The value of residential construction was better in April increasing 14 percent compared to April of last year but only increasing a meager 1 percent for the first four months compared to last year. With the lack of significant new home construction in the County this year, prices of homes will continue to accelerate as demand continues to exceed available supply.

➤ **Real Estate.** Average prices of homes in the County increased at least 16 percent in April compared to April of 2002 and increased 14 percent during the first four months of this year compared to last year. While prices accelerated, sales did not keep pace. In fact, sales of existing homes in the County fell by more than 5 percent in April 2003 while increasing less than 1 percent during the first four months of this year compared to last year.

➤ **Hospitality Industry.** The sluggish economy has affected spring travel. According to a Travel Industry Association of America's (TIA) forecast, the biggest decline is business travel, which is expected to be down 2.5 percent compared to last spring. TIA also reports that although non-business consumers believe that travel is very affordable, consumers' interests remain weak because of their personal finances and weak labor market conditions. The effect of travel on the County's hospitality industry is not only affected by the economy but by the numerous terrorism alerts over the past year. The average occupancy rate for 2002 (64.9%) was down 2.9 percentage points compared to 2001 (67.8%). For January 2003, the latest date for which data are available, the occupancy rate for the County (47.7%) was almost 2 percentage points below the rate in January 2002 (49.6%).

SELECTED ECONOMIC INDICATORS	Reporting Period	Current Period	Prior Year's Period	Year To-Date		
				2003	2002	2002
Leading Indicators						
National	April	0.1%		-0.9%		-0.1%
Washington MSA	March	-0.2%		-0.4%		-0.6%
Coincident Indicators						
National	April	-0.1%		0.5%		0.7%
Washington MSA	March	-1.4%		-3.7%		-0.7%
Consumer Confidence Index						
National	May	3.5%		-29.2%		-14.7%
South Atlantic Region	May	-4.9%		-24.9%		-9.6%
Consumer Price Index						
All Items						
National	April	2.2%		2.7%		1.6%
Washington - Baltimore CMSA	March	3.6%		3.5%		2.4%
Core CPI						
National	April	1.5%		1.7%		2.4%
Washington - Baltimore CMSA	March	2.7%		2.7%		2.9%
Retail Trade						
National (sales - not adjusted)	April	5.1%		4.5%		3.1%
Maryland (tax)	March	1.6%		-0.9%		1.6%
Montgomery County (tax)	March	3.6%		0.3%		0.9%
Employment						
National (household data - not adjusted)	April	137,424,000	135,903,000	136,637,000	135,270,000	136,485,000
- Percent Change		1.1%		1.0%		-0.3%
Washington PMSA (household data - not adj.)	March	2,742,420	2,703,905	2,726,092	2,688,441	2,719,777
- Percent Change		1.4%		1.4%		3.7%
Montgomery County (resident)	March	491,114	485,501	490,101	482,769	489,673
- Percent Change		1.2%		1.5%		2.5%
Montgomery County (payroll)**	September ('02)	450,152	449,512	450,197	447,890	449,833
- Percent Change		0.1%		0.5%		0.5%
Unemployment						
National (not adjusted)	April	5.8%	5.7%	6.2%	6.1%	5.8%
Maryland	April	4.1%	4.2%	4.4%	4.6%	4.4%
Washington PMSA	March	3.5%	3.7%	3.6%	3.8%	3.7%
Montgomery County	March	2.6%	2.8%	2.6%	2.9%	2.8%
Construction						
Construction Starts - Montgomery County						
Total (\$ thousand)	April	\$140,277	\$173,437	\$351,916	\$518,881	\$1,595,801
- Percent Change		-19.1%		-32.2%		9.5%
Residential (\$ thousand)	April	\$45,506	\$39,901	\$177,731	\$175,920	\$744,066
- Percent Change		14.0%		1.0%		-4.2%
Non-Residential (\$ thousand)	April	\$94,771	\$133,536	\$174,185	\$342,961	\$851,735
- Percent Change		-29.0%		-49.2%		25.0%
Building Permits (Residential)						
National	April	161,789	154,500	555,073	533,363	1,728,556
- Percent Change		4.7%		4.1%		5.6%
Maryland	April	2,387	2,533	8,596	9,406	29,213
- Percent Change		-5.8%		-8.6%		0.5%
Montgomery County	April	327	359	1,455	1,517	5,013
- Percent Change		-8.9%		-4.1%		-1.5%
Building Permits (Non-Residential)						
Montgomery County	April	123	193	534	628	1,858
- Percent Change		-36.3%		-15.0%		-11.6%
Real Estate						
National						
Sales	April	5,840,000	5,660,000	5,830,000	5,700,000	5,566,000
- Percent Change		3.2%		2.3%		5.1%
Median Price	April	\$163,400	\$153,000	\$161,800	\$151,500	\$158,200
- Percent Change		6.8%		6.8%		7.0%
Montgomery County						
Sales	April	1,164	1,231	4,145	4,121	16,030
- Percent Change		-5.4%		0.6%		3.1%
Average Price	April	\$348,533	\$300,121	\$334,230	\$292,305	\$320,418
- Percent Change		16.1%		14.3%		16.5%
Median Price	April	\$280,000	\$240,000	\$267,750	\$231,500	\$255,275
- Percent Change		16.7%		15.7%		18.7%

NOTE: **Data for Year-To-Date columns five and six are 2002 and 2001, respectively. Data in last column are 2001.